

Fairfax County Economic Index

Volume V, Number 8

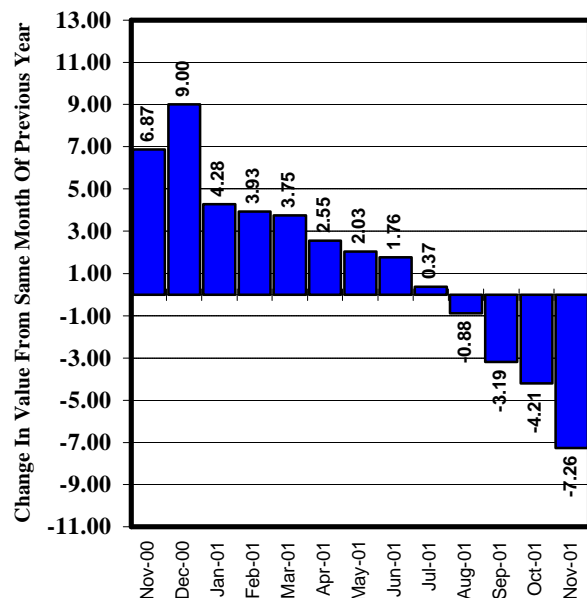
JANUARY 2002

Current Economic Conditions Remain Weak But Leading Index Pointing to Stronger Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 123.9 in November, down 2.14 percent from its October level. While the Index had rebounded slightly in October, its trend has been negative since April. November's performance continues to reflect some of the negative impacts of the September 11 terrorist attack. However, it also reflects this longer term slowdown that has carried the national economy into recession and reduced the Washington area's economic growth rate from 5.9 percent in 2000 to an estimated 2.2 percent in 2001. The County's Coincident Index in November was 5.5 percent lower than its value in November 2000 with all four components contributing to its most recent month-to-month decline.

- Total employment in November fell below October's level, but was still greater than its same-month level in 2000;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were down following a sharp gain in October;
- Sales tax collections, adjusted for inflation and seasonal variation, decreased for the second time in three months; and,

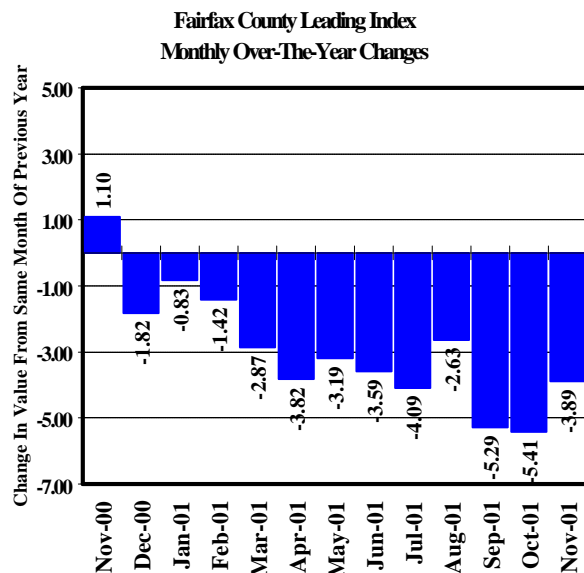
**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

- Consumer confidence fell for the fifth consecutive month.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 103.2 in November for a gain



Source: Center for Regional Analysis, George Mason University

of 1.63 percent. This is its second monthly increase following declines in August and September. Still, for the year, the Leading Index is 3.8 percent lower and well below its December 1999 peak. However, the Index's recent gains have brought it back to a level slightly above its August value suggesting that the short-term impacts of the September 11 terrorist attack are no longer distorting its trend. In November, three of the Index's five components contributed to its gain.

- Initial claims for unemployment insurance declined (improved) following three monthly gains and may be indicating a bottoming out of workforce downsizing;
- Consumer expectations improved in November following two sharp monthly declines; and,
- Residential building permits registered their largest gain of the year and now have been up sharply for two months; while,
- New automobile sales were off slightly following their promotion-induced, record-setting sales in October; and,
- The total value of residential building permits was down for the third time in four months.

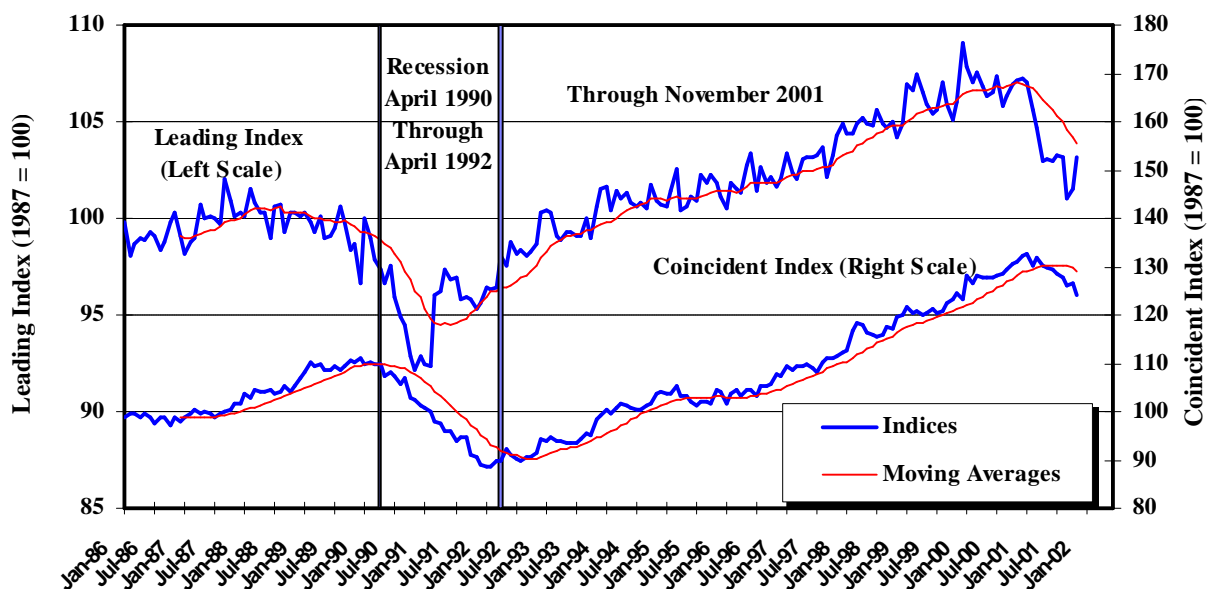
The Fairfax County economy has continued to slowdown from its record-setting pace of 2000. This slowing trend was well under way prior to September 11 and the short-term impacts of the terrorist attack only deepened the slow down temporarily. These temporary impacts are still evident in the November data. Some of these impacts that showed up in November are consequences of deferred and induced spending from September and October. However, these repercussions have largely worked their way out of the economy now and the longer-term trend should become clearer in December's data. The leading edge of this ongoing trend is seen in the two-month increase in the Leading Index and its recovery to its pre-September 11 level. With consumer expectations rising and consumer confidence in the present turning up in December, the low-point of the current slowdown probably occurred in November. Still, the outlook for the economy's re-acceleration is modest, as its slowdown has only brought the County's economic growth rate down to a more supportable level.

CURRENT CONDITIONS

For the first time since January 2000, the County's month-over-month employment growth was negative. This lower employment base in November resulted largely from the increased layoffs that occurred following the September 11 terrorist attack combined with normal seasonal slowing. The result of this combination of factors was that the County's employment base recorded its smallest monthly over-the-year gain of the year with net new jobs in November up just 5,227 from November 2000. This slowing of net new jobs in the County was reflected in the area's other jurisdictions but still the Washington metropolitan area generated more net new jobs than any other metropolitan area in the County for this 12-month period ending in November.

Unemployment in the County has also risen over the year reflecting the result of slower economic growth overall compounded by layoffs in the industries directly affected by lost business

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

after September 11. The County's November's unemployment rate was 2.8 percent compared to a year ago when it stood at 1.0 percent. Still, compared to the metropolitan area (3.4 percent) and the nation (5.6 percent), the County's labor market remains strong. With initial claims for unemployment insurance down in November (and again in December), it appears that the worst of the layoffs are over.

The key to the economy's continuing strong performance nationally and locally has been consumer spending. While consumers took an understandable break in September, their spending has resumed and can be expected to continue to support the economy's growth as consumer confidence rises. While residential building permits rose sharply in November, underscoring the continuing strength of the residential market, retail sales and auto sales dropped back from their October levels. However, lower sales in November were expected due to their above-normal level achieved in October in response to incentives and deferred purchases from September. Retail sales nationally were stronger by year's end than expected ending the year 2.7 percent up from their fourth quarter level in 2000. While this pattern may not be exactly replicated in Fairfax County, this trend of continuing consumer spending will help carry

both the local and national economy into a period of renewed expansion in 2002.

NEAR-TERM OUTLOOK

The signs are good at the national and local levels that the economy is positioned to accelerate in 2002. At the national level, the Leading Index has increased in three consecutive months following September's shock that drove it temporarily lower. The two monthly increases in the County Leading Index and the likelihood that it is pointing to the economy's re-acceleration is reinforced by the performance of the National Leading Index and other signs pointing to the national economy's recovery during the year's first half.

Key indicators of this evolving acceleration are: consumer expectations (up in November), initial claims for unemployment insurance (down in November) and accelerating job growth. However, because of last year's pattern of job growth—strong in the first half and decelerating in the second half—it will be several more months until the County's employment base achieves more normal growth rates. Therefore, over the next several months increased retail sales and decreasing initial claims for unemployment insurance will provide the most visible signs of the economy's renewed health.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-01 Prelim.	Oct-01 Final	Nov-00 Final	Oct-01 to Nov-01	Nov-00 to Nov-01
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	123.90	126.61	131.15	-2.14	-5.53
Leading Index (1987 = 100)	103.21	101.55	107.10	1.63	-3.63
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	556,063	557,205	550,856	-0.20	0.95
<i>Total Covered Employment (Unadjusted)</i>	<i>559,856</i>	<i>557,183</i>	<i>554,613</i>	<i>0.48</i>	<i>0.95</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	384	421	378	-8.84	1.56
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>607</i>	<i>643</i>	<i>580</i>	<i>-5.63</i>	<i>4.51</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,459	8,733	7,494	-14.59	-0.47
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,624</i>	<i>10,504</i>	<i>9,912</i>	<i>-8.38</i>	<i>-2.91</i>
South Atlantic Consumer Confidence	104.9	107.8	188.8	-2.69	-44.44
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,952	7,466	7,759	-6.88	-10.41
<i>Automobile Registrations (Unadjusted)</i>	<i>6,182</i>	<i>7,184</i>	<i>6,900</i>	<i>-13.95</i>	<i>-10.41</i>
Initial Unemployment Claims (Seasonally Adjusted)	2,105	2,951	568	-28.67	270.84
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,895</i>	<i>2,714</i>	<i>511</i>	<i>-30.18</i>	<i>270.84</i>
South Atlantic Consumer Expectations	79.3	71.3	110.9	11.22	-28.49
Residential Building Permits (Number of Units, Seasonally Adjusted)	814	397	427	105.26	90.72
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>719</i>	<i>431</i>	<i>377</i>	<i>66.82</i>	<i>90.72</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	32,472	38,089	34,947	-14.75	-7.08
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>45,659</i>	<i>64,810</i>	<i>47,753</i>	<i>-29.55</i>	<i>-4.39</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	598,630	598,683	576,941	-0.01	3.76
<i>Total Labor Force (Unadjusted)</i>	<i>594,595</i>	<i>593,586</i>	<i>573,052</i>	<i>0.17</i>	<i>3.76</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.91	2.73	1.10	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.80</i>	<i>2.77</i>	<i>1.00</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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